

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB DEPRATU**, on February 1, 2001 at 8:00 A.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Bob DePratu, Chairman (R)  
Sen. Alvin Ellis Jr., Vice Chairman (R)  
Sen. John C. Bohlinger (R)  
Sen. Mack Cole (R)  
Sen. Pete Ekegren (R)  
Sen. Jon Ellingson (D)  
Sen. Bill Glaser (R)  
Sen. Dan Harrington (D)

**Members Excused:** Sen. Emily Stonington (D)

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Branch  
Deb Thompson, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: House Bill 23, 2/9/2001; House Bill 24, 2/9/2001  
Executive Action: House Bill 24 Pass 8-0; Senate Bill 129 Pass As Amended 8-0

#### **HEARING ON HOUSE BILL 23**

**Sponsor:** REPRESENTATIVE RON ERICKSON, HD 64, Missoula

**Proponents:** Gordon Morris, MACO; Alec Hansen, League of Cities and Towns; Gene Huntington

**Opponents:** None

**Opening Statement by Sponsor:** **REPRESENTATIVE ERICKSON** presented the bill. He said the bill was formulated during the Interim Tax Committee as a way to solve bonding limits. The bill would change the bondable limitation from taxable value to assessed value which will simplify the process. He distributed comparison tables showing winners and losers in the counties as to the effect of the change. **EXHIBIT(tas26a01) EXHIBIT(tas26a02)** The question is whether cities and towns are bumping up against their debt limits. He said they were not. He also questioned if it was prudent for the people to get to vote on this.

**Proponents' Testimony:** **Gordon Morris** pointed out this was about simple market values. This would eliminate future changes by going with the assessed values.

**Alec Hansen** spoke in favor of the bill. He said it was a good idea and would allow for changes in taxable values. There was a need to have the debt limit understandable, reliable and stable so future changes are not needed.

**Gene Huntington**, described his background as a financial advisor in bonds. He pointed out the debt limits did not affect the marketability or credit quality of the bonds. People who buy the bonds, broker-dealers, financial institutions do their own independent analysis of the capacity of local government to make the payments on the bonds. The debt limits are required by the Constitution but it is not a part of the markets determining the credit quality of a local government. Local governments wanting to do planning to decide whether they want to sell bonds to build something, could not find what they needed to do their analysis at the courthouse. It took a special request to the Department of Revenue to get information to them to calculate their debt limit. This bill will address those problems.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:** **SENATOR ELLIS** asked if the legislation excluded SID's. **Mr. Huntington** replied this bill dealt with general obligation bonds and excluded revenue bonds and special improvement districts. Under existing law, SID's go through a protest process rather than an election. **SENATOR ELLIS** asked why it was appropriate for those entities to be allowed to borrow way more money. **Mr. Huntington** replied that was a different issue, not a subject of this bill. The SID's are repaid by assessments on the property itself, they are not pledging the governments ability to collect taxes.

**SENATOR GLASER** asked about the debt limits being lowered in certain areas that had extraordinary ability to bond under the old system. He wondered if any of them would be limited or if there was plenty of head room. **Mr. Huntington** replied that there was sufficient debt limits. **SENATOR GLASER** requested the committee hold off for 24 hours to make sure a debt limit reduction would not hurt small towns such as Drummond or Dutton. **{Tape : 1; Side : A; Approx. Time Counter : 14.6 - 17.6}**

**Closing by Sponsor:** **REPRESENTATIVE ERICKSON** closed. He noted the concern for some small towns with their ability to bond for fire trucks. The question has always been asked - how are they going to pay for it.

#### HEARING ON HOUSE BILL 24

**Sponsor:** **REPRESENTATIVE RON ERICKSON**, HD 64, Missoula

**Proponents:** Gene Huntington; Kathy Fabiano, OPI; Erik Burke, MEA-FT

**Opponents:** None

**Opening Statement by Sponsor:** **REPRESENTATIVE ERICKSON** presented the bill. This bill was a simplification that got rid of the "add-backs". The question was whether it would hurt schools in their capacity to borrow money to build schools. This bill does not do that. He referred to page 3 of the bill. School equalization does not allow taxable value of the property to be the only consideration for bonding. They must be equalized and they can still borrow money.

**Proponents' Testimony:** **Gene Huntington** spoke in support of the bill. He worked in the Interim with the point of view of the securities market. Schools had more of a problem with local school districts trying to do planning. Schools were constantly trying to decide whether to build new schools or not. It took a request from the Department of Revenue to gather the data needed to do the calculations. In the case of schools, the debt limit does not enter in to credit considerations. These are done separately, either by the market or by the insurers.

**Kathy Fabiano**, OPI, spoke for the bill. She said the question raised was whether the 45% of taxable valuation would provide schools adequate bonding capacity. New information was looked at with the cost of new school construction in Montana and in neighboring states. According to a survey done by the American School and University published in May, 2000, the average per

pupil cost of new construction in 1999 for a school in Montana and in neighboring states was \$12,306 for a 600 student elementary school, \$12,526 for a 625 student middle school and \$19,621 for a 750 student high school. The bonding limitations established for Montana public school were looked at to see whether new schools could be financed within that cost range. Only the bonding capacity that was guaranteed was looked at. This bill has a floor for each district's debt limitation. Every district is guaranteed a debt limit equal to 45% of the average statewide value for A and B. Given those current state guarantee levels, an elementary or middle school district would be limited to an expenditure of \$9,360 per pupil for construction and \$19,400 per pupil for a high school. A debt limit of 45% of taxable valuation appears to be more than adequate for high school districts. The debt limitation for elementary districts would need to be raised to 66% to insure that an elementary district could construct a new middle school. This should be looked at over the next two years.

**Erik Burke**, MEA-FT, spoke in support of the bill. He pointed out this was simplification and their group concurs with OPI that they look at this in the future. *{Tape : 1; Side : A; Approx. Time Counter : 29 - 30}*

**Questions from Committee Members and Responses:** **SENATOR BOHLINGER** asked for clarification of the per student costs of building a new school. **Ms. Fabiano** described the bonding coverage. *{Tape : 1; Side : B; Approx. Time Counter : 0 - 3.8}*

**Closing by Sponsor:** **REPRESENTATIVE ERICKSON** closed. **SENATOR HARRINGTON** will carry the bill.

#### EXECUTIVE ACTION ON HOUSE BILL 24

**SENATOR GLASER MOVED HB 24 BE CONCURRED IN.** The question was called. The motion **PASSED** 8-0.

#### EXECUTIVE ACTION ON SENATE BILL 129

**SENATOR COLE MOVED DO PASS.** **SENATOR GLASER** pointed out a potential problem with the bill on page 2, line 4-6 that could leave the door open to funding, for example, air handling systems in a public building. **SENATOR ELLINGSON** pointed out the language probably came from the ballot initiative. **SENATOR BOHLINGER** noted the attempt to make all state owned buildings smoke free was moving forward. **SENATOR GLASER** said the bill should be narrowed. **Mr. Heiman** said the reference made was not from the

Constitutional referendum that passed. *{Tape : 1; Side : B;  
Approx. Time Counter : 3.8 - 11; Comments : Tape stopped  
recording until 17.3 then stopped again}*

**SENATOR GLASER MOVED THE CONCEPTUAL AMENDMENT.** CHAIRMAN DEPRATU clarified this would pertain to lines 6 and 7. The question was called. The motion **PASSED** unanimously. **EXHIBIT (tas26a03)**

**SENATOR GLASER MOVED THE BILL AS AMENDED.** The question was called. The motion **PASSED** unanimously.

**ADJOURNMENT**

Adjournment: 8:50 A.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/DT

**EXHIBIT (tas26aad)**